LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7320 | **NOTE PREPARED:** Feb 17, 2011
BILL NUMBER: HB 1583 | **BILL AMENDED:**

SUBJECT: Exempt property eligibility for deductions.

FIRST AUTHOR: Rep. Clere | **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill provides that the credit for excessive residential property taxes and the following property tax deductions are to be allowed in the year of a property transfer if the property is determined to be exempt in the year following the transfer year: (1) Homestead standard deduction; (2) Homestead supplemental deduction; (3) Mortgage deduction; (4) Deduction for persons 65 or older; (5) Deduction for veterans with a partial disability; (6) Deduction for totally disabled veterans or veterans age 62 and partially disabled; (7) Deduction for surviving spouses of WWI veterans; (8) Deduction for World War I veterans; (9) Deduction for rehabilitated residential real property; and (10) Deduction for rehabilitated property.

Effective Date: January 1, 2011 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a homeowner's property tax deductions do not apply to taxes payable in the following year if the property is sold after March 1st and by December 31st. If the buyer is a qualifying homesteader, the buyer's deductions are effective for taxes payable in the following year.

Beginning with taxes payable in CY 2012 under this bill, the residential deductions that belonged to the seller and the 1% circuit breaker cap for homeowners would continue for property taxes payable in the following year if the property is sold to a buyer that is granted a property tax exemption for the next assessment date.

The buyer is responsible for paying the property tax in the year after the sale even though the property will be tax exempt in later years. Currently, the tax amount that the buyer must pay in the year after the sale does not reflect the homeowner's deductions or the 1% cap, so the tax amount for that one year is higher than it was in previous years. Under this provision, the tax amount would be consistent with the prior year tax bill.

State Agencies Affected:

Local Agencies Affected: County auditors; Local civil taxing units and school corporations.

Information Sources:

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